

Preserving Your Legacy: What to do if the family isn't interested?

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The original plan had always been for Lou to return to the family ranch. When he left for college, he was excited for the adventure and eager for new experiences. His internships during the previous summers had greatly added to his understanding of commercial agriculture. However, Lou had not anticipated meeting Mary during his time away. They quickly became inseparable and shared their dreams and ambitions for the future, including Mary's excitement for the life that the ranch could provide for their family.

However, those plans soon changed. After college, Mary had the opportunity to do an internship that took them across the country. Lou followed and, what was supposed to be a 2-year stint, turned into 15. They got married, started a family, and settled into their new life. They purchased a property where their children could raise 4-H animals and became involved in sports and other community activities.

Over time, the conversations about moving back home and taking over the family ranch became fewer and more one-sided. One day, Lou's parents asked him if he was still planning to return. As he reflected, he realized that he was no longer interested in going back. They had established a comfortable life where they were, but with his father's health declining, Lou realized that they needed to come up with a new plan. Unfortunately, neither he nor his parents knew where to begin.



How can Lou and his family re-evaluate their options for the family ranch and determine the best path forward?

Keep it together?

When the founding generation desires to leave a lasting legacy, its members should recognize that they will be replaced. It's not a topic people like to discuss. However, the reality is that we all have a finite time on this earth. The crucial question is whether or not the outgoing generation wants to actively shape the process and determine what kind of legacy they leave behind, or if they will simply let events unfold without their input?

Transfer of management responsibilities for the family farm or ranch is not an easy task and can be made even more difficult when there is not a clear successor. So, what is a family to do in this situation? While it's true that confronting the prospect of change can be challenging, especially when families have deep emotional and cultural connections to their land and way of life, there are a variety of alternatives to explore. Selling the operation is just one of many possible options.

First Things First

Regardless of which alternatives the family is considering, there are some questions to carefully think through first:

- Who should be involved in deciding the future of the operation?
- Is the operation profitable and does it make sense to keep it together?
- What are the goals for the property? Is one of the goals to pass it on as a working operation, rather than sell it and pass on the cash to the next generation?
- When should the transfer occur?
- If the family does not sell the operation, will the out-going generation need continued income from the operation for retirement?

Given the complexity of the process, the answers may not be straightforward or easy to come by. Moreover, diverse opinions and perspectives are likely to exist. Devoting ample time to reflect on these questions at the outset will aid in making informed decisions going forward.

Equal vs Equitable

Whenever discussions arise about distributing assets among family members, the debate about equal vs equitable is often brought up. While these terms may seem to imply similar outcomes, there are some very important differences.

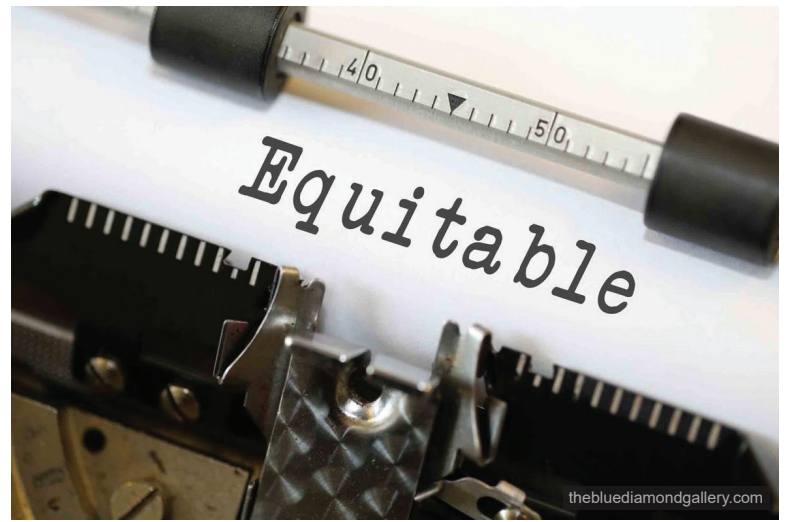
For example, one possible approach may be an equal distribution of assets, which is often perceived as the most equitable method. However, it may be necessary to carefully consider the contributions made by individuals involved, such as their financial investment, labor, or other efforts, when determining their share of the assets or proceeds from the sale. Furthermore, the sentimental value of certain assets may need to be taken into account while deciding on the optimal distribution method.

Keeping it in the family

Several options exist to keep the farm or ranch in the family, even if the family does decide to keep the operation together but no one is interested in taking on the active management duties.

- **Lease out the land to a family member:** If there is hesitation in taking on the full management responsibilities of the operation, perhaps consider starting small. Lease one field to a child or an extended family member. In this way, they can decide whether they're interested in taking on the management of the entire operation and can maybe work into full ownership over time. (Tillable.com, 2019).
- **Lease the land to someone outside your family:** Another option to keep the land in the family, while providing continued income from the land, is leasing to someone outside the family. This also provides family members with the possibility of taking over the management of the land at a later date. This can be accomplished as an absentee landowner or possibly someone can move into the farmhouse and lease out the surrounding land.
- **Hiring an outside manager:** The family may want to consider the option of hiring an outside manager to take over management of the operation, while retaining ownership. They might also choose to remain involved in the management of the operation to some extent.

These options allow the incoming generation to maintain a connection to the land and their legacy, while providing additional time to decide if they want further involvement in the future. It is possible that a family member will decide later that they have an interest in taking on the management duties.





No longer in the family

Sometimes, it may be impractical to pass the farm or ranch to the next generation. In such situations, families should carefully weigh the trade-offs between equal versus equitable distribution strategies. Some options that families might consider include:

- **Divide the property between the children:** Simply split the property among the children and allow them to do with it as they please. They can sell it, continue to operate it in some fashion, or live on it and seek income elsewhere.
- **Sell the operation and pass on the money:** Another simple way to distribute the assets is to sell a portion or the entire operation and equally or equitably distribute the money to the heirs. This could include an auction to disperse assets, as well as selling the land.

- **Gift the land to a university as a location for an intern program site:** This may be yet another way to continue the family's legacy without the strings of ongoing ownership.

A note of caution, all the individuals involved should carefully consider the potential consequences before deciding to sell the operation. It is crucial to remember that sales are typically final and, once you have sold the farm or ranch, you will no longer have any control over its future. If the primary goal of the family is to maintain the land for agricultural purposes, it's important to approach the selling process with care and consideration for the long term.

From outside the family

Consider bringing in an unrelated family that is passionate about agriculture and interested in taking over the operation as another option. This approach can be a rewarding way to continue the legacy while also supporting the next generation of farmers. It's no secret that the average age of farmers and ranchers is increasing, and the industry is in dire need of young talent. There are numerous young people eager to begin their careers in agriculture, but many struggle to find a way to get started. According to a poll conducted by the National Young Farmers Coalition, 78 percent of beginning farmers cited a lack of capital as their biggest challenge when starting their own farm.

You may ask, "How can you pass on a legacy and help a young family work into it?" One way might be through sweat equity. The outside family or individual works over time to earn the ownership of a share of the operation. This may help offset the final cost when it comes time to purchase the operation. It could even be one of the incoming generation or one of their children who "buy-in" over time.

This option gives the founding generation time to pass on the management responsibilities slowly, while also providing valuable coaching; in addition, the incoming generation has the chance to work into it.

Other Options

- **Gift:** According to the IRS a gift is "any transfer to an individual, either directly or indirectly, where full consideration (measured in money or money's worth) is not received in return" (IRS, 2022). This can be a way to pass on assets to children or other heirs, as well as another individual or family, that they would otherwise not be able to afford. If considering gifting assets such as land, machinery, etc., realize this can make either the giver or the receiver liable for potentially hefty taxes. Be sure to consult with a tax attorney, accountant, or other professionals to make sure that the timing, amount, and other details of the gift are established to minimize these liabilities when possible.
- **Forming a trust:** Trusts are legal arrangements under which assets are managed by a trustee for designated beneficiaries. Assets are often placed in a trust to provide for their professional management. The trust document also designates who will receive the assets once the trust terminates. They can provide financial security for surviving spouses, children and grandchildren. There are a variety of types of trusts so work with an accountant or attorney to choose the one best for your situation (Farmland Information Center).
- **Intern Program:** Another option might be to participate in an intern program through a University or similar entity. Here young farmers or ranchers are paired with mentors as a way to train the next generation through hands-on

experience. While many participants are just looking for the experience, there may be opportunities to identify someone who is looking for an opportunity to get into agriculture. One of these interns might be interested in working with you to take over at some point, possibly filling the gap when an heir is not interested.

The Decision

When no one is interested in taking on the management responsibilities from the retiring generation, passing on a family's agricultural legacy requires careful consideration of various factors. It is important to explore all possibilities, although clearly not all options will appear equal to the rest of the family. Start by identifying the goals and desired outcomes and then work towards the best option to achieve them. It is crucial to work collaboratively with all the individuals who have a stake in the outcome to find a solution that works for everyone.

For more information on distributing your assets of emotional value please refer to the Lasting Legacy course available at [AgLegacy.org](https://www.aglegacy.org) under the Learning tab. The three online courses and associated workbook can help families understand the five pillars of a lasting legacy and where to get started.



Resources

- Farmland Information Center. Transfer Your Farm or Ranch. Available at <https://farmlandinfo.org/transfer-your-farm-or-ranch>. Accessed April 2023.
- IRS. 2022. Frequently Asked Questions on Gift Taxes, IRS.gov. Available at <https://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Frequently-Asked-Questions-on-Gift-Taxes>. Accessed April 2023.
- Options For Farmers Considering Retirement, 2019. Tillable.com. Accessed at <https://tillable.com/blog/do-you-want-to-farm-your-land-forever-if-not-consider-these-options>. Accessed March 2023.
- Pleasant, Liz. 2014. Yes Magazine. Finding New Ways to Pass on the Farm. Available at <https://www.yesmagazine.org/environment/2014/09/06/to-save-family-farms-from-corporate-buyout-retiring-farmers-connect-with-a-new-generation>. Accessed March 2023.

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